

associated with a transaction, event or circumstance shall be matched and the results shown as a net gain or loss.

§ 32.7100 Other operating income and expenses.

~~This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7110 through 7160. Class B companies shall use this account for other operating income and expense items of the type and character required of Class A companies in Accounts 7110 through 7160, listed below.~~

~~§ 32.7110 Income from custom work.~~

(a) This account shall include profits realized from custom work (plant construction) performed for others incident to the company's regulated telecommunications operations. This includes profits from the incidental performance of nontariffed construction activities (including associated engineering and design) for others which are similar in nature to those activities which are performed by the company in constructing its own telecommunications plant facilities.

(b) The records supporting the entries in this account shall be maintained *in accordance with GAAP*. ~~with sufficient particularity to identify separately the revenue and costs associated with each undertaking.~~

~~§ 32.7130 Return from nonregulated use of regulated facilities.~~

This account shall include a return on investment for the use of regulated property plant and equipment to provide nonregulated products and services.

~~§ 32.7140 Gains and losses from foreign exchange.~~

This account shall include all gains and losses resulting from the exchange of foreign currency. Transactions (realized) gains or losses shall be measured based on the exchange rate in effect on the transaction date. Unrealized gains or losses shall be measured based on the exchange rate in effect at the balance sheet date.

~~§ 32.7150 Gains and losses from the disposition of land and artworks.~~

This account shall include gains or losses resulting from the disposition of land or artworks.

~~§ 32.7160 Other operating gains and losses.~~

This account shall be charged or credited, as appropriate, to record the results of transactions, events or circumstances which are of an operational nature, but occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

§ 32.7199 Content of accounts.

The Operating Tax accounts shall include the taxes arising from the central operations of the company.

§ 32.7200 Operating taxes.

~~This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of accounts 7210 through 7250. Class B telephone companies shall use this account for operating taxes of the type and character required of Class A companies in accounts 7210 through 7250, listed below.~~

~~§ 32.7210 Operating investment tax credits - net.~~

(a) This account shall be charged and Accounts 4320, Unamortized Operating Investment Tax Credits-Net, shall be credited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(b) This account shall be credited and Account 4320 shall be charged ratably with the amortization of each year's investment tax credits included in Account 4320 for investment services for ratemaking purposes. (See also Account 7410, ~~Nonoperating Investment Tax Credits Net. 7400, Nonoperating Taxes.~~) Such amortization shall be determined in relation to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

~~§ 32.7220 Operating federal income taxes.~~

(a) This account shall be charged and Account 4070, Income Taxes-Accrued, shall be credited for the amount of Federal Income Taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits and shall be amortized to in income as directed by this Commission.

(d) No entries shall be made to this account to reflect interperiod tax allocations.

~~§ 32.7230 Operating state and local income taxes.~~

(a) This account shall be charged and Account 4070, Income Taxes - Accrued, shall be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) No entries shall be made to this account to reflect interperiod tax allocations.

~~§ 32.7240 Operating other taxes.~~

(a) This account shall be charged and Account 4080, Other Taxes-Accrued, shall be credited for all taxes, other than Federal, state, and local income taxes and payroll related taxes, related to regulated operations applicable to current periods. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes; this account shall also reflect subsequent adjustments to amounts previously charged.

(b) Special assessments for street and other improvements and special benefit taxes, such as water taxes and the like, shall be included in the operating expense accounts or investment accounts, as may be appropriate.

(c) Discounts allowed for prompt payment of taxes shall be credited to the account to which the taxes are chargeable.

(d) Interest on tax assessments which are not paid when due shall be included in Account ~~7540, Other Interest Deductions.~~ **7500, Interest and Related Items.**

(e) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to Account ~~7360, Other Nonoperating Income.~~ **7300, Nonoperating Income and Expense.**

(f) Sales and use taxes shall be accounted for, so far as practicable, as part of the cost of the items to which the taxes relate.

(g) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owners to Account ~~5240, Rent Revenue~~ **5200, Miscellaneous Revenue**, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.

~~§ 32.7250 Provision for deferred operating income taxes - net.~~

~~(a)~~ This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for income tax expense that has been deferred in accordance with § 32.22 of Subpart B:

4100 Net Current Deferred Operating Income Taxes
4340 Net Noncurrent Deferred Operating Income Taxes

~~(b) subsidiary record categories shall be maintained to distinguish between property and nonproperty related deferrals and so that the company may separately report the amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by Part 43 of the Commission's Rules and Regulations.~~

§ 32.7299 Content of accounts.

The nonoperating income and expense accounts are intended to record the results of transactions, events and circumstances affecting the company during a period and which are not operational in nature. They shall include such items as nonoperating taxes, dividend income and interest income. Whenever practicable the inflows and outflows associated with a transaction or event shall be matched and the result shown as a net gain or loss.

§ 32.7300 Nonoperating income and expense.

~~This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7310 through 7370. Class B telephone companies shall use this account for nonoperating income and expense items of the type and character required Class A companies in Account 7310 through 7370, listed below.~~

~~§ 32.7310 Dividend income.~~

(a) This account shall include dividends on investments in common and preferred stock, which is the property of the company, whether such stock is owned by the company and held in its treasury, or deposited in trust ~~(except in sinking or other funds, see paragraph (c) of this section)~~, or otherwise controlled.

(b) These accounts shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds.

~~(c) Dividends on stocks of other companies held in sinking or other funds shall be credited to Account 7330, Income from Sinking and Other Funds.~~

(dc) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1401, Investments in Affiliated Companies, as a reduction of the carrying value of the investments.

~~§ 32.7320 Interest income.~~

(a) This account shall include interest on securities, including notes and other evidences of indebtedness, which are the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust ~~(except in sinking or other funds, see paragraph (d) of this section)~~ or otherwise controlled. It shall also include interest on bank balances, certificates of deposits, open accounts, and other analogous items.

(b) There shall be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and date of maturity, the difference between the purchase price and the par value of securities owned, the income from which is includable in this account. ~~Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. Any such difference remaining unextinguished at the sale or upon the maturity and satisfaction of such securities shall be cleared to Account 7360, Other Nonoperating Income.~~

~~(c) These accounts shall not include interest or other returns on securities issues or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds.~~

~~(d) Interest on cash and on securities issued by others shall be included in Account 7330, Income from sinking and Other funds, when such assets are held in sinking or other funds.~~

~~(e) Cash discounts on bills for material purchased shall not be included in this account.~~

~~§ 32.7330 Income from sinking and other funds.~~

(a) This account shall include the income accrued on cash, securities issued by other companies, and other assets (not including securities or assumed by the company) held in sinking and other funds.

(b) There shall be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the difference between the purchase price, and the par value of securities held in sinking or other funds. ~~Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. Any such differences remaining unextinguished upon the maturity and satisfaction of such securities shall be cleared to Account 7360, Other Nonoperating Income.~~

§ 32.7340 Allowance for funds used during construction.

This account shall be credited with amounts charged to the telecommunications plant under construction account. ~~(See §32.2000 (c)(2)(x).)~~

~~§ 32.7350 Gains or losses from the disposition of certain property.~~

This account shall include gains or losses resulting from the disposition of the following:

(a) Gains or losses from the disposition of land or artworks;

(b) Gains or losses from the disposition of plant with traffic; and

(c) Gains or losses from the disposition of nonoperating telecommunications plant not previously used in the provision of telecommunications services.

~~§ 32.7360 Other nonoperating income.~~

(a) This account shall include all other items of income and gains or losses from activities not specifically provided for elsewhere.

(b) This account shall include representative items as follows:

(1) Fees collected in connection with the exchange of coupon bonds for registered bonds;

(2) Gains or losses realized on the sale of temporary cash investments or marketable equity securities;

(3) Uncollectible amounts previously credited to ~~Accounts 7310 through 7350, inclusive; this account~~

(4) Net unrealized losses on investments in current marketable equity securities;

(5) Write-downs or write-offs of the book costs of investment in equity securities due to permanent impairment;

(6) Gains or losses of nonoperating nature arising from foreign currency exchange or translation;

(7) Gains or losses from the extinguishment of debt made to satisfy sinking fund requirements;

(8) Amortization of Goodwill;

(9) Company's share of the earnings or losses of affiliated companies accounted for on the equity method; and

(10) The net balance of the revenue from and the expenses (including depreciation; amortization and insurance) or property, plant, and equipment, the cost of which is includable in Account 2006, Nonoperating Plant.

~~§ 32.7370 Special charges.~~

This account shall include the following costs that are typically given special regulatory scrutiny for ratemaking purposes. Unless specific justification to the contrary is given, such costs are presumed to be excluded from the cost of service in setting rates.

(a) Lobbying includes expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances) or approval, modification, or revocation of franchises, or for the purpose of influencing the decisions of public officials. This also includes advertising, gifts, honoraria, and political contributions. This does not include such expenditures which are directly related to communications with and appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations;

(b) Contributions for charitable, social or community welfare purposes;

(c) Membership fees and dues in social, service and recreational or athletic clubs and organizations;

(d) Penalties and fines paid on account of violations of statutes. This account shall also include penalties and fines paid on account of violations of U.S. statutes including judgments arising from a violation of antitrust laws, and payments in settlement of civil and criminal suits alleging such violations; and

(e) Abandoned construction projects.

§ 32.7399 Content of accounts.

The Nonoperating Tax accounts shall include taxes arising from activities which are not a part of the central operations of the entity.

§ 32.7400 Nonoperating taxes.

~~This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7410 through 7450. Class B telephone companies shall use this account for nonoperating taxes of the type and character required of Class A companies in Accounts 7410 through 7450, listed below.~~

~~§ 32.7410 Nonoperating investment tax credits - net.~~

(a) This account shall be charged and Account 4330, Unamortized Nonoperating Investment Tax Credits-Net, shall be credited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be credited and Account 4330 shall be charged with the amortization of each year's investment tax credits included in such accounts relating to amortization of previously deferred investment tax credits of other property or regulated property, the amortization of which does not serve to reduce costs of service (but the unamortized balance does reduce rate base) for ratemaking purposes. Such amortization shall be determined with reference to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

~~§ 32.7420 Nonoperating federal income taxes.~~

(a) This account shall be charged and Account 4070, Income Taxes - Accrued, shall be credited for the amount of nonoperating Federal income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) Companies that adopt the flow-through method of accounting for investment tax credits shall reduce the calculated provision in this account by the entire amount of the credit realized during the year. Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits.

(d) No entries shall be made to this account to reflect interperiod tax allocation.

~~§ 32.7430 Nonoperating state and local income taxes.~~

(a) This account shall be charged and Account 4070, Income Taxes -Accrued, should be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) No entries shall be made to this account to reflect interperiod tax allocation.

~~§ 32.7440 Nonoperating other taxes.~~

This account shall be charged and Account 4080, Other Taxes--Accrued, shall be credited for all nonoperating taxes, other than Federal, state and local income taxes, and payroll related taxes for the current period. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes. This account shall also reflect subsequent adjustments to amounts previously charged.

~~§ 32.7450 Provision for deferred nonoperating income taxes net.~~

(a) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for nonoperating tax expense that has been deferred in accordance with § 32.22 of Subpart B:

4110 Net Current Deferred Nonoperating Income Taxes
4350 Net Noncurrent Deferred Nonoperating Income Taxes

~~(b) Subsidiary record categories shall be maintained to distinguish between property and nonproperty related deferrals and so that the company may separately report the amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.~~

§ 32.7499 Content of accounts.

Interest and related amounts shall be included in ~~Accounts 7510 through 7540.~~ *this account.*

~~§ 32.7500 Interest and related items.~~

This account number shall be used by ~~Class A telephone companies to summarize for reporting purposes the contents of Accounts 7510 through 7540. Class B telephone companies shall use this account~~ for interest and related items of the type and character ~~required of Class A companies in Accounts 7510 through 7540.~~ *listed below.*

~~§ 32.7510 Interest on funded debt.~~

(a) This account shall include the current accruals of interest on all classes of debt the principal of which is includable in Account 4210, Funded Debt. It shall also include the interest on funded debt the maturity of which has extended by specific agreement.

~~(b) This account shall be kept so that the interest on each class of funded debt may be shown separately in the annual reports to this Commission.~~

~~(c)~~ These accounts shall not include charges for interest on funded debt issued or assumed by the company and held by or for it, whether pledged as collateral or held in its treasury, in special deposits or in sinking or other funds.

(dc) Interest expressly provided for and included in the face amount of securities issued shall be charged at the time of issuance to Account 1330, Other Prepayments, and cleared to this account as the term expires to which the interest applies.

(ed) This account shall also include monthly amortization of balances in Accounts 4220, Premium on Long-Term Debt, and 4230, Discount on Long-Term Debt.

~~§ 32.7520 Interest expense capital leases.~~

This account shall include the interest portion of each capital lease payment.

~~§ 32.7530 Amortization of debt issuance expense.~~

This account shall include the monthly amortization of the balances in Account 1407, Unamortized Debt Issuance Expense.

~~§ 32.7540 Other interest deductions.~~

(a) This account shall include all interest deductions not provided for elsewhere, e.g., discount, premium, and expense on notes maturing one year or less from date of issue.

(b) A list of representative items of indebtedness, the interest on which is chargeable to this account, follows

- (1) Advances from affiliated companies;
- (2) Advances from nonaffiliated companies and other liabilities
- (3) Assessments for public improvements past due;
- (4) Bond coupons, matured and unpaid;
- (5) Claims and judgments;
- (6) Customers' deposits;
- (7) Funded debt mature, with respect to which a definite agreement as to extension has not been made;
- (8) Notes payable on demand or maturing one year or less from date of issue;
- (9) Open accounts;
- (10) Tax assessments, past due; and
- (11) Discount, premium, and issuance expense of notes maturing one year or less from date of issue.

(c) Interest payable on notes or other evidences of indebtedness maturing serially shall be charged to Account 7510, Interest of Funded Debt, if any portion of the obligation matures more than one year from date of issue.

§ 32.7599 Content of accounts.

~~These accounts are~~ *This account is* intended to segregate the effects of events or transactions that are extraordinary. Extraordinary events and transactions are distinguished by both their unusual nature and by the infrequency of their occurrence, taking into account the environment in which the company operates. These accounts shall also include the related income tax effect of the extraordinary items.

§ 32.7600 Extraordinary items.

This account shall be ~~used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7610 through 7640. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 7610 through 7640 listed below.~~

~~§ 32.7610 Extraordinary income credits.~~

This account shall be credited with nontypical, noncustomary and infrequently recurring gains *or losses* which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in Account ~~7630, Current Income Tax Effect for Extraordinary Items Net, and Account 7640, Provision for Deferred Income Tax Effect of Extraordinary Items Net.~~ *Account 7600, Extraordinary Items.*

~~§ 32.7620 Extraordinary income charges.~~

~~This account shall be debited with nontypical, noncustomary and infrequently recurring losses which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in Account 7630, Current Income Tax Effect for Extraordinary Items Net, and Account 7640, Provision for Deferred Income Tax Effect of Extraordinary Items Net.~~

~~§ 32.7630 Current income tax effect of extraordinary items net.~~

This account shall be charged or credited and Account 4070, Income Taxes-Accrued, shall be credited or charged for all current income tax effects (Federal, state and local) ~~of items included in Accounts 7610, Extraordinary Income Credits, and 7620, Extraordinary Income Charges.~~

~~§ 32.7640 Provision for deferred income tax effect of extraordinary items net.~~

This account shall be charged or credited, as appropriate, with a contra amount recorded to Account 4350, Net Noncurrent Deferred Nonoperating Income Taxes or Account 4110, Net Current

Deferred Nonoperating Income Taxes for the income tax effects (Federal, state and local) of items included in Accounts 7610, Extraordinary Income Credits, and 7620, Extraordinary Income Charges, that have been deferred in accordance with § 32.22 of Subpart B.

§ 32.7899 Content of accounts.

~~Jurisdictional differences~~ and nonregulated income amounts shall be included in Accounts 7910 and 7990.

~~§ 32.7910 Income effect of jurisdictional ratemaking differences net.~~

~~— This account shall include the impact on revenues and expenses of the jurisdictional ratemaking practices which vary from those of this Commission. All entries recorded in this account shall be recorded net of the applicable income tax effects and shall be supported by appropriate subsidiary records, where necessary, as provided for in § 32.13(e) of Subpart B.~~

§ 32.7990 Nonregulated net income.

(a) This account shall be used by those companies who offer nonregulated activities that do not involve the joint or common use of assets or resources used in the provision of both regulated and nonregulated products and services, and which have not established a separate subsidiary for that purpose.

(b) All revenue and expenses (including taxes) incurred in these nonregulated activities shall be recorded on separate books of account for such operations. Only the net of the total revenues and total expenses shall be recorded in this account, with a contra debit or credit to account 1406.3.

~~§ 32.7991 [Added]~~

~~§ 32.7991 [Revised]~~

~~§ 32.7991 [Deleted]~~

Subpart G - Glossary

§ 32.9000 Glossary of terms.

When used in this system of accounts:

"Accelerated depreciation" means a depreciation method or period of time, including the treatment given cost of removal and gross salvage, used in calculating depreciation deductions on income tax returns which is different from the depreciation method or period of time prescribed by this Commission for use in calculating depreciation expense recorded in a company's books of account.

"Account" means a specific element of a chart of accounts used to record, classify and accumulate similar financial transactions resulting from the operations of the entity. "Accounts" or "these accounts" refer to the accounts of this system of accounts.

"Accounting System" means the total set of interrelated principles, rules, requirements, definitions, accounts, records, procedures and mechanisms necessary to operate and evaluate the entity from a financial perspective. An accounting system generally consists of a chart of accounts, various parallel subsystems and subsidiary records. An accounting system is utilized to provide the necessary financial information to ~~users to meet judiciary and other responsibilities.~~ *the financial community.*

"Affiliated companies" means companies that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the accounting company. See also Control.

"Amortization" means the systematic recoveries, through ratable charges to expense, of the cost of assets.

"Associated equipment" means that equipment which functions with a specific type of plant or with two (2) or more types of plant, ~~e.g., switching equipment, network power equipment, circuit equipment, common channel network signaling equipment or network operations equipment.~~ Associated equipment shall be classified to the account appropriate for the type of equipment with which it is predominately used rather than on its own characteristics. ~~Illustrative examples of associated equipment are:~~

~~Alarm and signal apparatus~~

~~Auxiliary framing~~

~~Cable and cable racks~~

~~Distributing frames and equipment thereon~~

~~Frame and aisle lighting equipment (not permanently attached to the building)~~

~~Relay racks and panels~~

"Basic service area" means the minimum specified calling area for which a tariff is prescribed.

"Book cost" means the amount at which property is recorded in these accounts, without deduction of related allowances.

"Common carrier" or "carrier" means any person engaged as a common carrier for hire, in interstate or foreign communication by wire or radio or in interstate or foreign radio transmission of energy, except where reference is made to common carriers not subject to this Act; but a person engaged in radio broadcasting shall not, insofar as such person is so engaged, be deemed a common carrier.

"Company" or "the company" when not otherwise indicated in the context, means the accounting entity. It includes such unincorporated entities which may be subject to the Communications Act of 1934, as amended.

"Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stock-holders, voting trusts, holding trusts, affiliated companies, contract, or any other direct or indirect means.

"Cost", except as applied to telecommunications plants, franchises, and patent rights, means the amount of money actually paid (or the current money value of any consideration other than money exchanged) for property or services. See also Original Cost

"Cost of removal" means the cost of demolishing, dismantling, removing, tearing down, of otherwise disposing of telecommunications plant and recovering the salvage, including the cost of transportation and handling incident thereto.

"Depreciation" means the loss not restored by current maintenance, ~~incurred~~ in connection with the consumption ~~or prospective retirement~~ of telecommunications plant in the course of service from ~~causes which are known to be in current operation, against which the company is not protected by insurance, and the effect of which can be forecast with a reasonable approach to accuracy. Among the causes to be given consideration are~~ wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in technology, changes in demand and requirements of public authorities.

"Entity" means a legal enterprise (common carrier) engaged in interstate communications within the meaning of the Communications Act of 1934, as amended.

"Group plan," as applied to depreciation accounting, means the plan under which depreciation charges are accrued upon the basis of the original cost of all property included in each depreciable plant account, ~~using the average service life thereof properly weighted, and~~ Upon the retirement of any depreciable property its cost is charged to the depreciation reserve whether or not the particular item has attained the average service life.

"Indexed revenue threshold for a given year" means \$100 million, adjusted for inflation, as measured by the Department of Commerce Gross Domestic Product Chain-type Price Index (GDP-CPI), for the period from October 19, 1992 to the given year. The indexed revenue threshold for a given year shall be determined by multiplying \$100 million by the ratio of the annual value of the GDP-CPI for the given year to the estimated seasonally adjusted GDP-CPI on October 19, 1992. The indexed revenue threshold shall be rounded to the nearest \$1 million. The seasonally adjusted GDP-CPI on October 19, 1992 is determined to be 100.69.

"Intangible property" means assets that have no physical existence but instead have value because of the rights which ownership confers.

~~"Intrasystems" means assets consisting of:~~

~~(1) PBX and Key System Common Equipment (a switchboard or switching equipment shared by all stations);~~

~~(2) Associated CPE station equipment (usually telephone or Key Telephone Systems) and~~

~~(3) Intrasytem wiring (all cable or wiring and associated components which connect the common equipment and the station equipment, located on the customer's side of the demarcation point).~~

~~An intrasytem does not include property, plant or equipment which are not solely dedicated to its operation.~~

"Minor items," as applied to depreciable telecommunications plant, means any part or element of such plant, which when removed, (with or without replacement) does not initiate retirement accounting.

"Original cost" or "cost," as applied to telecommunications plant, rights of way and other intangible property, means the actual money cost of (or the current money value of any consideration or other than money exchanged for) property at the time when it was first dedicated to use by a regulated telecommunications entity, ~~whether the accounting company or by predecessors.~~

~~For the application of this definition to property acquired from predecessors see §32.2000(b)(1) of Subpart C. Note also the definition of Cost in this section.~~

"Plant retired" means plant which has been removed, sold, abandoned, destroyed, or otherwise withdrawn from service.

~~"Retirement units," as applied to depreciable telecommunications plant, means those items of plant which when removed (with or without replacement) cause the initiation of retirement accounting entries.~~

"Salvage value" means the amount received for property retired, if sold, or if retained for reuse, the amount at which the material recovered is chargeable to Account 1220, Material and Supplies, or other appropriate account.

"Straight-line method," as applied to depreciation accounting, means the plan under which the cost of property is charged to operating expenses and credited to accumulated depreciation through equal annual charges as nearly as may be during its service life

"Subsidiary record" means ~~accumulation of~~ detailed information which is ~~required by this Commission to be~~ maintained in support of entries to the accounts.

~~"Subsidiary record categories" means those segregations of certain regulated costs, expenses and revenues, which must be maintained and are subject to specific reporting requirements of this Commission..~~

"Subsystems, parallel mechanisms" means processes or procedures which augment the use of a chart of accounts in the financial operation of the entity. These subsystems operate on and/or process account and subsidiary record information for specific purposes.

"Telecommunications" means any transmission, emission, or reception or signs, signals, writing, images or sounds or intelligence of any nature by wire, radio, visual or other electromagnetic systems. This encompasses the aggregate of several modes of conveying information, signals or messages

over a distance. Included in the telecommunications industry is the transmitting, receiving, or exchanging of information among multiple locations. The minimum elements required for the telecommunications process to occur are a message source, a transmission medium and a receiver.

"Time of installation" means the date at which telecommunications plant is placed in service.

"Time of retirement" means the date at which telecommunications plant is retired from service.

"Tangible property" means assets characterized by physical existence, such as land, buildings, equipment, furniture, fixtures and tools.

TITLE 47--TELECOMMUNICATION

CHAPTER I--FEDERAL COMMUNICATIONS COMMISSION--(CONTINUED)

PART 64--MISCELLANEOUS RULES RELATING TO COMMON CARRIERS--
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Subpart I--Allocation of Costs

§64.901 Allocation of costs.

(a) Carriers required to separate their regulated costs from nonregulated costs shall use the attributable cost method of cost allocation for such purpose.

(b) In assigning or allocating costs to regulated and nonregulated activities, carriers shall follow the principles described herein.

(1) Tariffed services provided to a nonregulated activity will be charged to the nonregulated activity at the tariffed rates and credited to the regulated revenue account for that service.

(2) ~~Costs shall be directly assigned to either regulated or nonregulated activities whenever possible.~~ **Carriers may have, but are not required to have, more than one cost category for each Class B Account. Fixed factors used to allocate common costs must be appropriately tied to the 19xx ARMIS 43-03 Report or to its supporting data.**

(3) ~~Costs which cannot be directly assigned to either regulated or nonregulated activities will be described as common costs. Common costs shall be grouped into homogeneous cost categories designed to facilitate the proper allocation of costs between a carrier's regulated and nonregulated activities. Each cost category shall be allocated between regulated and nonregulated activities in accordance with the following hierarchy:~~

~~(i) Whenever possible, common cost categories are to be allocated based upon direct analysis of the origin of the cost themselves.~~

~~(ii) When direct analysis is not possible, common cost categories shall be allocated based upon an indirect, cost-causative linkage to another cost category (or group of cost categories) for which a direct assignment or allocation is available.~~

~~(iii) When neither direct nor indirect measures of cost allocation can be found, the cost category shall be allocated based upon a general allocator computed by using the ratio of all expenses directly assigned or attributed to regulated and nonregulated activities.~~

~~(4) The allocation of central office equipment and outside plant investment costs between regulated and nonregulated activities shall be based upon the relative regulated and nonregulated usage of the~~

~~investment during the calendar year when nonregulated usage is greatest in comparison to regulated usage during the three calendar years beginning with the calendar year during which the investment usage forecast is filed.~~

~~(c) A telecommunications carrier may not use services that are not competitive to subsidize services subject to competition. Services included in the definition of universal service shall bear no more than a reasonable share of the joint and common costs of facilities used to provide those services. {Paragraph (c) Should be moved to Part 54 }~~

§ 64.902 Transactions with affiliates.

Except for carriers which employ average schedules in lieu of determining their costs, all carriers subject to Sec. 64.901 are also subject to the provisions of Sec. 32.27 of this chapter concerning transactions with affiliates.

§ 64.903 Cost allocation manuals.

(a) Each local exchange carrier with annual operating revenues that equal or exceed the indexed revenue threshold, as defined in Sec. 32.9000 of this chapter, shall file with the Commission within 90 days after publication of that threshold in the Federal Register, a manual containing the following information regarding its allocation of costs between regulated and unregulated activities:

- (1) A description of each of the carrier's nonregulated activities;
- (2) A list of all the activities to which the carrier now accords incidental accounting treatment and the justification therefor;
- (3) A chart showing all of the carrier's corporate affiliates;
- (4) A statement identifying each affiliate that engages in or will engage in transactions with the carrier and describing the nature, terms and frequency of each transaction;
- (5) A cost apportionment table showing, for each account containing costs incurred in providing regulated services, the cost pools ~~with that account, the procedures used to place costs into each cost pool, and the method used to apportion the costs within each cost pool between regulated and nonregulated activities;~~ **and the associated fixed factors;** and
- (6) A description of the time reporting procedures that the carrier uses, **for companies electing to directly assign certain costs.** ~~including the methods or studies designed to measure and allocate non-productive time.~~

(b) Each carrier shall ensure that the information contained in its cost allocation manual is accurate. Carriers must update their cost allocation manuals at least annually, ~~except that changes to the cost~~

~~apportionment table and to the description of time reporting procedures must be filed at least 15 days before the carrier plans to implement the changes. Annual cost allocation manual updates shall be filed on or before the last working day of each calendar year. Proposed changes in the description of time reporting procedures, the statement concerning affiliate transactions, and the cost apportionment table must be accompanied by a statement quantifying the impact of each change on regulated operations. Changes in the description of time reporting procedures and the statement concerning affiliate transactions must be quantified in \$100,000 increments at the account level. Changes in cost apportionment tables must be quantified in \$100,000 increments at the cost pool level. The Chief, Common Carrier Bureau may suspend any such charges for a period not to exceed 180 days, and may thereafter allow the change to become effective or prescribe a different procedure.~~

(c) The Commission may by order require any other communications common carrier to file and maintain a cost allocation manual as provided in this section.

~~§ 64.904 Independent audits.~~

~~—(a) Each local exchange carrier required to file a cost allocation manual, by virtue of having annual operating revenues that equal or exceed the indexed revenue threshold for a given year or by order of the Commission, shall have an audit performed by an independent auditor on an annual basis, with the initial audit performed in the calendar year after the carrier is first required to file a cost allocation manual. The audit shall provide a positive opinion on whether the applicable data shown in the carrier's annual report required by Sec. 43.21(e)(2) of this chapter present fairly, in all material respects, the information of the carrier required to be set forth therein in accordance with the carrier's cost allocation manual, the Commission's Joint Cost orders issued in conjunction with CC Docket No. 86-111 and the Commission's rules and regulations including Secs. 32.23 and 32.27 of this chapter, 64.901, and 64.903 in force as of the date of the auditor's report. The audit shall be conducted in accordance with generally accepted auditing standards, except as otherwise directed by the Chief, Common Carrier Bureau.~~

~~—(b) The report of the independent auditor shall be filed at the time that the local exchange carrier files the annual report required by Sec. 43.21(f)(2) of this chapter.~~